

Committee on Ways And Means

Improving Rural Health Care

The Deficit Reduction Act (DRA) continued two targeted policies for small rural hospitals.

Medicare Dependent Hospitals

- Medicare Dependent Hospitals have fewer than 100 beds, serve a high proportion of Medicare patients, and receive slightly higher Medicare payments.
- The DRA extends the special protection for these hospitals through October 1, 2011, so that these hospitals in rural areas can maintain financial stability.

Small Rural Hold Harmless for Three Years

- The DRA provides additional Medicare hospital outpatient payments through a hold harmless policy over 3 years for small rural hospitals with no more than 100 beds.
 - In CY 2006, a payment floor is established such that payments relative to costs under the prospective payment system cannot be substantially less than payments under the pre-2000 payment system. The payment floor is set at 95 percent.
 - The floor decreases to 90 percent in CY 2007 and 85 percent in CY 2008.
- CMS has already scheduled a 7.1 percent outpatient increase for rural sole community hospitals in 2006.